

2011-12

BUDGET SPEECH

Presented by

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Mayor of Redland City

Special Meeting

Redland City Council

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10am

Council Chambers, Cleveland

Good morning,

Before we start, I would like to acknowledge the Quandamooka People, the traditional owners of the land and waters we call Redlands. On your behalf, I pay respect to their Elders and ancestors.

There is no doubt this is one of the toughest budgets considered by any Council in this chamber in recent times. In the past year we have seen multiple challenges to our expected revenues – for reasons beyond our control.

The upshot was an unexpected shortfall of around \$12 million from Council's total \$220.6 million budget, so this year is not a "business as usual" budget.

We consciously framed this budget around the economic realities facing our community. We are only too aware that costs seem to be rising everywhere – and household budgets are struggling to keep pace.

Our approach has been to limit the impact of this budget on the community by doing everything we can to make internal reductions. We have done this by tightening our belt as an organisation, reducing operating costs and postponing some projects.

In fact, we have managed to reduce our operating costs by \$10 million compared to what we had originally expected we would need to spend in 2011-12.

As a result, this budget's increase in rates and charges has been kept well under the local government cost of living index.

I am proud to say as I introduce the 2011-12 budget that we are confident we have risen to these challenges in the short term and produced a responsible and realistic budget.

One of the things I am particularly delighted with is the fact we have been able to reduce waste fees as well as increase kerbside service options – including a green waste service for the mainland – as part of our extensive waste management strategy.

As well, we will deliver an extensive capital works program across the mainland and islands that will help our infrastructure keep up with community needs.

This budget continues this Council's determination to strengthen its long-term financial future and reduce operational deficits through a pragmatic and measured approach to financial management, which will see us return to surplus in 2013-14.

Since this Council was elected in 2008, we have faced a series of unprecedented challenges with each budget we have delivered – none of our own making.

First it was dealing with the transfer of our bulk water supply, and then the changes to our water distribution and retail business. As we have said many times over the past two years, these were major changes with significant impacts on Council's bottom line.

We responded to these changes last year by revising our long-term financial strategy and reviewing the way we do business. As part of our new financial strategy, we also undertook rating reform and found extensive operational savings. Last year, we focused on delivering a budget that strengthened our financial position and ensured we could provide community infrastructure well into the future.

This was all done with the express purpose of minimising the burden on our ratepayers.

And just when we thought we'd addressed the biggest challenges of our political term, several new – and unexpected – challenges came our way just a few months ago.

We have spoken at lengths about the impacts of the state government's decision to cap water pricing and infrastructure charges. As our community knows, these decisions had major impacts on our bottom line.

We originally estimated our worst case scenario shortfall in infrastructure charges alone was around tens of millions of dollars over the life of our 10-year financial strategy. This prompted a need for us to find further significant savings – and quickly!

The budget we present today reflects the hard work we have done over recent months (and in particular the last eight weeks) to balance the need to cut operational costs, while still delivering wide-ranging infrastructure projects as part of our \$49.7 million capital works program. We are also still delivering the quality programs and services our community has come to expect from Council.

I will talk more about our new long-term financial strategy in a moment, but first, let's look at this budget's key funding allocations.

The 2011-12 budget contains a total of \$220.6 million in operational and capital expenditure (including depreciation).

As part of that, we'll invest \$49.7 million in capital projects, including:

- \$8.6 million for transport infrastructure, which includes:
 - \$2.1 million for Collins Street in Redland Bay
 - \$1.6 million for planned upgrade works on Main Road at Wellington Point
 - \$1.4 million to upgrade the intersection of Queens Street and Government Road at Redland Bay, and
 - \$1.2 million towards the Baythorne/King intersection upgrade at Thornlands
- \$4.4 million to protect our canals and foreshore
- \$4.4 million to reseal and resurface roads across the Redlands
- \$4.3 million for parks, which includes:
 - \$1.6 million to purchase conservation land
 - \$724,000 towards land for our future regional sporting facility
 - \$652,400 towards the ongoing upgrade of Cleveland Point Reserve Regional Park
 - \$380,000 for upgrades at Judy Holt Park in Birkdale
 - \$100,000 for Crystal Waters Wetlands in Thornlands
- \$4.0 million for projects on the Southern Moreton Bay Islands (in addition to road upgrades)
- \$3.2 million to build new cycleways
- \$3.0 million for marine infrastructure for the mainland and North Stradbroke Island
- \$2.5 million for infrastructure for our parks and open spaces
- \$2.1 million for waste management

- \$2.1 million to build new roads, and
- \$1.5 million for paths and trails.

The budget also features \$1.4 million in operational and capital funding for a number of ongoing economic programs and initiatives, which I'll outline shortly.

We are continuing to deliver improvements to our community

As mentioned a moment ago, we have tightened our belts to create operational savings, but this has not been at the expense of customer service or our capital works program.

I'm pleased to announce the following project allocations:

- \$4 million to repair Raby Bay revetment walls
- \$3.2 million for additional sections of the Moreton Bay Cycleway, including:
 - Hilliards Creek crossing
 - Raby Bay Esplanade, and
 - Point Halloran Road pathway
- \$1.2 million for the interim upgrade of the Weinam Creek car park
- \$362,500 for two pathway projects between Beveridge Road and Rachow Street in Victoria Point
- \$352,000 for further work on the Point Lookout Gorge Boardwalk on North Stradbroke Island.
- \$180,000 for a pathway between Mount Cotton Village to Mount Cotton State School
- \$165,700 for further improvements to the Point Lookout Hall, and
- \$145,000 for a pedestrian bridge at School of Arts Road in Redland Bay.

We are again offering strong support to our community through our grants and sponsorship programs with:

- \$731,000 for community grants, and
- \$126,000 to provide sponsorships to our community.

This budget supports a wide range of community activities, with continued funding for facilities and services including the Redland Performing Arts Centre, Redland Art Gallery, Redland Libraries, IndigiScapes, the Donald Simpson Centre, the Redlands Museum, respite care and school age care.

We are creating a sustainable future for our city through good planning

In the next 12 months we will continue work on a number of important projects that will help shape the future of our mainland and islands.

These projects include:

- the Redlands Housing Strategy
- the Southern Moreton Bay Islands Integrated Local Transport Plan
- the Southern Moreton Bay Islands Planning and Land Use Study
- the Kinross Road Structure Plan for Thornlands, and
- future planning for North Stradbroke Island (including local area plans for the three townships) following next month's Native Title determination and the post-mining transition.

It's also time for us to prepare a new planning scheme, and initial work will involve a new Redlands Transport Plan and Pedestrian and Cycle Strategy, which will feed into the new scheme. The new planning scheme will guide how the Redlands will continue to develop in the next decade, in the context of the SEQ Regional Plan.

As we know, long-term planning is continuing on an integrated sports and recreation precinct in the Redlands. If we don't set our vision and secure land now, there's every chance the size and type of land we need for a major sporting precinct simply won't be available in our city.

I know some detractors have suggested this project is ill-timed. To them, I ask: when will it be a good time? This is a long-term plan. It is a visionary undertaking, and like any major visionary project, it requires significant lead-in time for planning. That's what we're doing now – making sure we get it right to address the growing needs for sporting land in the Redlands. We're not committing the entire project budget this year, or even over the next few years. This year's budget includes only \$724,000 towards this great future community asset that will encourage health and wellbeing, community involvement and economic growth – all things our community has said it wants for the Redlands.

We have already completed our feasibility studies for our preferred site. What we are doing now is business planning for that specific site – all part of the normal process for a project of this magnitude.

This visionary project is not about short-term outcomes or easy wins. It's about responsible long-term planning to make sure we can meet community demand for sporting and recreation facilities for the next 30 years.

Because it is a longer-term process, the major investment for this precinct will be staged over a number of years, so it will have no impact on the short-term funding challenges we are addressing through our financial strategy and current organisational reform processes.

Our new long-term financial strategy is the key to a sustainable future.

As I've already mentioned, this budget is based on a new long-term financial strategy to ensure Council remains in a strong and healthy position to serve the Redlands community well into the future.

Traditionally, all councils have raised funds to provide services and facilities to their communities through rates and charges, grants, water revenue and developer contributions.

The recent changes to legislation have reduced the level of funds we can raise through water revenue and developer contributions, and councils generally are receiving less grant funding from other levels of government. Last year we received \$13.6 million in operational and capital grants, down from \$22 million the year before, so we can assume this figure will drop again in light of recent natural disasters.

We were originally expecting our revenue for 2011-12 to be \$163 million. As a result of the legislative changes, we calculated our actual revenue for the new financial year would be significantly less – only \$151 million. That left us with a choice to either fund the shortfall through rates or find internal savings.

We chose internal savings, and set about vigorously reviewing our long-term financial strategy and short-term operating costs and expenses.

Last year, we expected our operational costs would be around \$146 million (based on our original revenue projections). This year, through savings, we've brought that figure down to \$136 million. In other words, a saving of \$10 million.

In fact, a straight comparison with last year's actual operating expenses shows a reduction in Council's budget for goods and services and employee costs of \$5.6 million, taking into account enterprise bargaining agreements and CPI increases.

As part of our new long-term financial strategy, we'll be continuing to save a further \$20 million on our bottom line over the next two years, through reduced spending and revised revenue targets.

Our internal saving measures include a voluntary redundancy program. Through the first stage of that program, we saw 18 management and professional officer positions made redundant. We are very sad to see the departure of these key staff – and wish them well for the future. Their willingness to be involved in the program has made a significant contribution to our operational savings.

Those departures have created the opportunity to create a new streamlined structure for Council, which will deliver ongoing savings. In the meantime, we have established an interim structure, to ensure programs and services continue to be delivered, uninterrupted, at a high standard.

These have been some of the hard choices we've had to make to minimise impacts on our ratepayers. Without these decisions, rates increases this year would have been significantly higher.

To appreciate the influences on our budget and why we had to make those choices, it's important to understand where we started in 2008, and the financial situation we inherited.

A Queensland Treasury Corporation Sustainability Review of Council in 2006 rated the organisation as being in a '*strong financial position with a developing outlook*'.

The review also identified "areas of concern", which included:

- that the Council of the time had forecast net operating deficits for all forecast periods (which would still have been \$10 million in the red by 2014-15)
- that it was not fully funding depreciation

- that its cash position was declining, and
- that its capital and operating expenditure program needed to be monitored to keep costs within budget to limit pressure on liquidity.

This Council has been aware of those concerns, and has been working to address them over the past three years. That's what our new long-term financial strategy last year was all about.

We were in year two of that strategy, and were already starting to turn around Council's nine-year operational deficit to surplus. Even with reduced revenue we have managed to get back on track to achieve this goal in two years, thanks to the measures I outlined a moment ago.

It is normal for councils to increase their operating expenditure each year, in line with inflation. But we have bucked that trend this year by still managing to shave \$3.8 million from our operating deficit (compared to our adopted budget in 2010-11), which had always been our intention in 2011-12.

We have also reduced the amount we had planned to borrow to support our previous long-term capital works program – which means savings on interest. (Our revised borrowings as at 30 June this year will be \$57.8 million).

I can reassure our community that Council's overall financial position remains strong. Independent assessments of Council's financial position by the Queensland Treasury Corporation last year confirmed our robust financial outlook. Cash balances will be around \$73 million at 30 June and our long-term financial plan demonstrates that – through good planning by this Council – it will exceed all of its cash targets for the next decade, and return an operational surplus.

We know the decision about our future with Allconnex Water is much anticipated by not only our community, but also those of Gold Coast and Logan, and we'll be making an announcement on this issue at tomorrow's regular General Meeting. However, we have already indicated our likely preference is to remain with Allconnex Water, but on our own terms – terms that suit our Redlands community.

RATES

When it comes to rates and charges, we are now comparing apples with apples

Every year at budget time, we see rate increases of south-east Queensland councils compared to each other.

Unfortunately, this has rarely been a case of comparing apples with apples, with individual councils having had flexibility in how they presented the percentage change from the previous year. For example, some used a percentage to represent combined rates and charges, others just the change in the minimum rate. It goes without saying there can be a big difference in these figures.

Redland City Council has lobbied for a consistent approach to budget reporting, so we're pleased that, for the first time, all councils are required to use the same criteria to present their rates and charges. This is part of new reporting requirements under amendments to the *Local Government (Finance, Plans and Reporting) Regulation 2010*.

The new regulation requires councils to clearly state the following information when releasing their budget:

- the percentage increase, based on a direct comparison between the budget and the previous adopted budget, and
- the change in the total value of all general and differential rates, separate and special rates and utility (sewerage and waste) charges, net of discounts and remissions.

This information must be expressed as a single percentage (increase or decrease).

For the Redlands, the percentage increase is 6.09 per cent, which is less than the local government CPI (which is 7.5 per cent). Local government CPI reflects a range of costs, particularly those relating to building major infrastructure such as roads etc., as opposed to the Australian Bureau of Statistics CPI, which represents a basket of groceries.

The 6.09 per cent figure represents the total average increase of rates and charges, across all our mainland and island rating categories (including commercial).

In dollar terms, it means 97 per cent of mainland residential property owners will pay less than \$3 a week more – in fact 88 per cent will actually pay less than \$2 a week more.

The increase enables us to continue with our wide-ranging capital works program across the entire city, while also continuing to position the Redlands for a strong financial future.

It should be noted that in some areas, the increase represents land valuation increases by the Department of Environment and Resource Management.

Rates on the Southern Moreton Bay Islands

As part of last year's budget, we made a commitment to produce a financial report that identifies all operational and capital revenue from the Southern Moreton Bay Islands – and then show how that revenue is spent.

I can now confirm we have met our commitment to transparency and these figures are available for anyone to view on our website. Our budget book also provides a detailed break-down on revenue and expenditure for the islands in 2011-12.

In 2011-12, Council will invest a further \$4 million in capital projects in the Southern Moreton Bay Islands, as well as sealing another eight roads.

Key Southern Moreton Bay Island projects include:

- \$3.2 million to seal gravel roads, including:
 - \$612,000 for stage one of Attunga Street on Macleay Island
 - \$594,000 for Koro Street on Russell Island
 - \$472,000 for Alkira Street on Macleay Island
 - \$450,000 for Michael Avenue on Lamb Island
- \$600,000 for the SMBI Land Exchange Program
- \$450,000 to upgrade Jock Kennedy Park on Russell Island
- \$365,000 for toe planks at the Lamb Island boat ramp
- \$300,000 for work on the path along Canaipa Road on Russell Island

- \$300,000 for further land acquisition for community open space, and
- \$250,000 to upgrade the Macleay Island Waste Transfer Station.

Commercial rates

There was talk in the media last month about commercial rates increasing by 17.5%. But we never believed this was acceptable, and worked hard to reduce the increase to 11.5%.

Our commercial rates have been benchmarked this year against other local councils' previous budgets, with the intention of remaining lower than our neighbours.

Under our 10-year financial strategy, we have been setting our commercial rate each year to clearly differentiate the commercial categories from residential. We have now achieved this, which means that – as always planned – this will be the last year of significant increases to commercial rates.

Council is sympathetic to businesses and understands the impacts the Global Financial Crisis has had on our local economy. In developing this budget, we met with the Redland City Chamber of Commerce executive to discuss a number of issues, including ways in which we can support local business.

Our economic development support is provided through a range of initiatives.

1. Our ongoing programs.

In 2011-12, our economic development budget features \$1.4 million for programs including:

- \$525,000 for tourism initiatives
- \$136,000 for our popular Business Grow mentoring program, which, in the first nine months of the current financial year held more than 580 meetings with local businesses
- \$65,000 for our Trade and Investment Officer in China, who in the last year alone has generated around \$5 million in export deals for Redland businesses (and currently provides support to 30 local businesses), and
- \$51,000 for marketing activities to promote economic development in the Redlands.

2. Development assessment initiatives

In the past year, Council has sped up its development application process by 47 per cent, through initiatives including T5 (which involves five-day approvals for low-risk development applications), and our Smart eDA process. We now process 92 per cent of applications within statutory timeframes, and 50 per cent of all applications are processed within 20 days. We have also continued with our developer forums, to provide an opportunity for open discussion between Council and the development industry.

3. Economic development stimulus

This year Council will actively promote the master-planned business centres of Cleveland and Capalaba, and continue planning for the economic futures of North Stradbroke Island and the Southern Moreton Bay Islands. We are also working on a new economic development strategy for 2012-2016.

4. Direct contribution to the local community

Council currently spends 50 per cent of its goods and services budget in the Redlands. Up until late May, Council had spent around \$101 million in 2010-11 locally, on operational and capital goods and services. We certainly aim to further increase this as opportunities arise.

We encourage our community to support the ongoing Buy Local campaign, and look forward continuing to work in partnership with the Redland Chamber of Commerce and Bayside Bulletin to strengthen our economic sector.

Council also supports a range of other projects that contribute directly to our city's economic vibrancy, including our new \$1.2 million contract over three years with Surf Life Saving Queensland, to provide professional life guards on North Stradbroke Island. This initiative helps visitors feel safe and boosts our tourism sector.

Every dollar spent on paths, trails and cycleways is also an investment in our economy, attracting visitors and providing new opportunities for locals to experience their city.

Pensioner concession

I'm pleased to announce we are increasing our pensioner concession, which continues to be one of the most generous in the region.

We've set aside \$2.8 million to support our pensioners in 2011-12, which is \$259,000 more than last year.

This allows us to provide a \$330 concession to full pensioners (we have around 5,700 in the Redlands) and a \$165 concession for people receiving part pensions (around 3,500 people).

CHARGES AND LEVIES

Ratepayers will notice very little change in the charges on their rates bill, with the waste charge going down, the environmental charge staying the same and the landfill remediation charge only slightly increasing.

Waste/recycling charges

As we announced in April, we now have excellent options that allow residents to save money when it comes to managing their household waste.

We have listened to our community, and worked hard to bring costs down for residents and ratepayers. It will now cost less to effectively manage household waste, whether using kerbside bins or going to our transfer stations.

We've reduced the cost of gate fees at our waste transfer stations as of 1 July, and locals will also be able to save on their kerbside collection service through a new range of options to mix and match household bins.

The reduced costs reflect savings Council has achieved through its new Waste Disposal Strategy. This plan included signing a deal for waste to be managed differently in the Redlands when the Birkdale Landfill closes later this year, rather than building a large new facility at Redland Bay. As a result, Council will avoid \$50 million in waste costs over the next 10 years.

In the meantime, we will be continuing to operate a transfer station at Birkdale after the landfill closes, so residents in the north of the city will still have access to convenient waste facilities.

As a result of these changes, we've been able to wind back gate fees to 2008-09 levels (which remained the same in 2009-10). People will again be able to take their separated green waste to a transfer station in a car for only \$2, and their mixed waste for only \$4.

White goods, recyclables and scrap metal will still be able to be disposed of for free at transfer stations.

I'm particularly pleased about our new options to mix and match kerbside bins to suit household needs. The full suite of options will be available later in the year – once the mainland green waste contract has been finalised – but households can start saving money sooner by choosing new options for their waste and recycling bins in the new financial year.

From 1 July, mainland households with a 240L waste bin and 240L recycling bin will pay only \$288 a year for the kerbside service (down from \$299). They will also have the option to save further by downsizing their waste bin (paying only \$212 a year) – or upsizing their recycling bin at no extra charge.

That means mainland households with the traditional 240L bins can now downsize their waste bin and get a green bin later this year – and still pay less than they're currently paying for two standard bins.

Last year we introduced the 140L waste bin, but many of you told us you wouldn't downsize unless there was a green waste bin. We heard you!

We're still negotiating our mainland green waste service, but we expect the service to be fortnightly when it is introduced – on the alternate week to the recycling service. At this stage, we're hopeful the service will be available in October. People can register now, either online on Council's website or by phoning Council.

When all three bins are available, people will have a range of options to suit their lifestyle. As I like to say, they'll be able to choose their service from our "bin menu".

We know that green waste makes up around half the contents of our waste bins, so having a fortnightly green waste collection is an effective way to make sure garden

clippings and other organic material don't end up in landfill. Through our green waste collection, that material will either go to compost or to generate green power.

Of course, we're still encouraging people to re-use their garden waste through their own composting or worm farms, but the green bins will be an excellent solution for those extra garden clippings.

The cost to manage waste is only going to get higher in Australia. Here in Queensland the state government's waste management strategy requires everyone to double the amount we recycle by 2020.

We need to act now to reduce our rubbish, so our community won't be impacted as much by rising waste charges in the future. This is something we can do to save money, while also reducing carbon, as methane has a greater impact on the environment than carbon dioxide.

Our new package of gate fees and kerbside options are a step in that direction, and our "Rethink your rubbish" awareness campaign is also helping locals find ways to keep their waste down.

Landfill remediation charge

Throughout the Redlands, there are more than 25 former landfill sites. Each of these continues to break down our old rubbish below the surface, and it is Council's responsibility to ensure those sites are properly managed and rehabilitated so they can be used for other purposes long term.

This work, known as remediation, is funded through a separate charge, which this year, is increasing by only \$3.40.

With the Birkdale Landfill closing later this year, one of our biggest remediation projects will get under way.

The first step to rejuvenating the site is capping, and we have set aside \$920,000 for this priority project. As part of our 10-year capital works program, we'll spend another \$4.8 million over the next four years. When fully remediated, we will be investigating

options for this site to be developed into community open space (just like the Judy Holt Reserve, which was also once a landfill site, many years ago).

Environmental charge

I'm pleased to announce there is no increase to our environmental charge this year. This charge plays a critical role in helping protect and enhance our natural environment through a range of programs and initiatives.

There is always healthy and robust debate in our community when it comes to environmental issues, but we know one thing for sure: our natural environment is one of the things the people of the Redlands love and value the most about our city.

So we will continue to do the best we can to protect and maintain what we have, in the context of a triple-bottom line approach to sustainability. That means balancing environmental needs with social and economic needs.

This year, the environmental charge will provide:

- \$1.6 million to purchase land for conservation, so we can ensure environmentally-sensitive areas are protected for future generations – just as our pioneers did over a century ago to ensure we would have foreshore parks today
- \$3.19m to maintain the 9,524 hectares of conservation land we already own across the mainland and islands (this funds fire maintenance, catchment rehabilitation, weed removal, community plantings, operational works etc.)
- \$620,500 on waterways programs, with key allocations including:
 - \$125,500 for our award-winning waterways extension program
 - \$114,000 for the Coolnwynpin catchment, and
 - \$62,700 for the Hilliards catchment program
- \$210,000 for programs under our Biodiversity Strategy, including weed removal and revegetation across the mainland and islands
- \$630,000 for programs under our Koala Strategy, including:
 - \$330,700 for koala habitat restoration, including street plantings of koala food trees throughout the mainland, and site projects including Denham Boulevard at Redland Bay and Eprapah Creek

- \$125,500 for the Koala Conservation Agreement Program, which provides financial support for people to care for koalas on their own properties (currently, 73 hectares are under this agreement)
- \$100,000 for Koala Strategy education and awareness programs, and
- \$25,000 for research.

Special charges

Every year, Council raises funds to maintain and repair revetment walls and provide dredging in our canal estates. This year we have made positive changes to the special charges program, after a thorough consultation process with residents in Raby Bay, Aquatic Paradise and Sovereign Lakes. These changes are still in the context of our “convergence” philosophy, which reduces the gap between the minimum general rate and rates paid by higher value properties.

In summary...

As in past years, hundreds of hours of research, debate and discussion have gone into the document I present to you today, which reflects the vision outcomes outlined in our Redlands 2030 Community Plan.

We have taken into account a wide range of challenges, issues and needs across our community. We’ve worked hard to provide a budget that is responsible and financially sustainable, and delivers exciting projects and programs across our mainland and island communities.

There have been some very tough decisions in the past few months, and I’m proud that we, as a Council, have had the courage to make them. The future of our organisation, and our city, will be stronger for it.

I commend the 2011-12 budget to you.